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FM AMCONSUL SAO PAULO
TO RUEHC/SECSTATE WASHDC PRIORITY 6280
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RUEHBU/AMEMBASSY BUENOS AIRES 2588
RUEHMN/AMEMBASSY MONTEVIDEO 2249
RUEHLP/AMEMBASSY LA PAZ 3179
RUEHSG/AMEMBASSY SANTIAGO 1958
RUEHRG/AMCONSUL RECIFE 3312
RUEHRI/AMCONSUL RIO DE JANEIRO 7709
RHEHNSC/NSC WASHDC
RUCPDOG/USDOC WASHDC 2681
RUEATRS/DEPT OF TREASURY WASHDC
RUEAWJC/DEPT OF JUSTICE WASHDC
RUEAHLA/HOMELAND SECURITY CENTER WASHINGTON DC
RUEABND/DRUG ENFORCEMENT ADMIN HQ WASHDC
RHMFISS/CDR USSOUTHCOM MIAMI FL

UNCLAS SECTION 01 OF 04 SAO PAULO 000036

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SENSITIVE
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STATE FOR WHA/FO, WHA/BSC, P, INL, EB/CBA
STATE ALSO FOR DS/IP/WHA, DS/DSS/ITA, DS/DSS/OSAC
STATE PASS USTR FOR SULLIVAN/CRONIN
STATE PASS EXIMBANK
STATE PASS OPIC FOR DMORONESE, NRIVERA, CVERVENNE
STATE ALSO PASS TDA FOR ANGULO AND MCKINNEY
NSC FOR FEARS
DOJ FOR BRUCE SWARTZ
TREASURY FOR OASIA, DAS LEE AND JHOEK
DHS HQ FOR PLCY/OIA - KEVIN O'REILLY
DHS ALSO FOR TSA
USDOC FOR 4332/ITA/MAC/WH/OLAC
USDOC FOR 3134/ITA/USCS/OIO/WH/RD
SOUTHCOM ALSO FOR POLAD
USAID FOR LAC/AA

E.O. 12958: N/A

TAGS: [PGOV](#) [SNAR](#) [EINV](#) [ASEC](#) [PREL](#) [BR](#)

SUBJECT: AMBASSADOR AND SAO PAULO GOVERNOR DISCUSS CRIME, PUBLIC
SECURITY, INVESTMENT ISSUES

REF: (A) SAO PAULO 6; (B) 06 SAO PAULO 899;

(C) 06 SAO PAULO 1131; (D) 06 SAO PAULO 355

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY

SUMMARY

1. (SBU) During an hour-long meeting with the Ambassador, Jose Serra, Governor of Sao Paulo state, said that his most immediate priority upon taking office was public security, especially in the metropolitan public transportation system, which is the state government's responsibility. Though statistics show a steady decline in crimes of violence, the state and the metropolitan area continue to be plagued by common street crime, and concerns about the organized criminal organization First Capital Command (PCC) continue unabated. Serra stressed that to fight crime, the state does not need money so much as technology, training, and technical expertise, and asked if DHS and U.S. metropolitan transit authorities could help Sao Paulo subway and commuter rail personnel learn to deal with bomb threats and other threats to public safety. Serra indicated he was extremely interested in meeting with Attorney General Gonzales in February but that he did not know if he would be able to travel to Brasilia for that purpose, though he will try. The Ambassador raised with Serra a complicated tax credit problem

affecting U.S. telecommunications manufacturers. Serra said he is prepared to implement a quick fix but that a durable, long-term solution will be more difficult to achieve. End Summary.

12. (U) Ambassador Sobel, accompanied by Consul General (CG) and poloff, met January 10 with Sao Paulo Governor Jose Serra. The Governor was accompanied by Civil Household Chief Aloysio Nunes Ferreira; Public Security Secretary Ronaldo Marzagao; Transportation Secretary Mauro Arce; Metropolitan Transport Secretary Jose Luiz

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Portella; Colonel Marco Antonio Moises, Security Coordinator, Metropolitan Transport Secretariat; Conrado Garva, Director of Operations for the Metro system; and foreign affairs advisors Helena Gasparian and Jose Roberto de Andrade. Everyone on the Brazilian side was new to the state government, since Serra was inaugurated on January 2; however, some have served in previous administrations.

SECURITY IS THE TOP PRIORITY...

13. (SBU) Governor Serra asked about the upcoming visit to Brazil of Attorney General Gonzales. Ambassador replied that AG is currently planning to visit Brazil but would not have time to visit Sao Paulo. Thus, the Ambassador expressed hope that Serra and other reform-minded governors could meet with him in Brasilia. Serra replied that this would be difficult for him to travel to Brasilia but he would try. Ambassador added that U/S Burns will be visiting at around the same time in early February, and that Serra should also meet with him to discuss his priorities and ways the U.S. could work with the state government. In addition, Ambassador is expecting a visit to Brazil by DEA Administrator Tandy in late February. The Ambassador noted that the U.S. has extensive experience and expertise to share in the areas of public security and prison administration and currently provides Brazil with

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equipment and training.

14. (SBU) Foreign affairs advisor Gasparian pointed out that the USG has a strong cooperative relationship with Brazil's federal government but that Sao Paulo state would like to have direct collaboration with USG. The Ambassador replied that this question is under discussion. Governor Serra said money is not the problem; the state has money. Rather, it needs equipment, technology, training and technical expertise. It needs experts to show how things are done in various areas of security.

...ESPECIALLY IN PUBLIC TRANSPORTATION

15. (SBU) Nunes Ferreira raised the issue of security in metropolitan Sao Paulo's subway system, which has recently experienced several bomb scares. Several weeks ago, a real bomb was found one real bomb in a station. In addition, a recent explosion at a military police station (ref A) was caused by a technician trying and failing to defuse an explosive device that had been found in a metro station. The metro area's commuter rail system is also subject to possible attack. (Note: Though nobody mentioned them, metropolitan buses are also at significant risk for violent crime, including bombs. End Note.) State officials believe the First Capital Command (PCC) may be responsible for recent incidents. The state government has 5,000 people working on transportation security, but they are poorly trained and don't know how to respond to bomb threats. Serra mentioned that the New York subway system has a sophisticated security apparatus, which has no doubt been greatly strengthened since the terrorist attacks of 9/11. Secretary Portella (Metropolitan Transit) said his office was eager to learn about operational routines of the New York and Washington public transit systems in the event of bomb threats and other security incidents. He shared a list of questions his staff had developed. (List has been faxed to DHS/O'Reilly and WHA/BSC.) The Ambassador and CG suggested that we might be able to arrange for experts from major U.S. cities' transit systems and/or USG agencies (e.g., FBI, DHS, ATF) to visit Sao Paulo and share their experiences, or for Secretary Portella and some of his security personnel to visit U.S.

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cities and meet with public transportation authorities. The Ambassador also stressed the importance of developing effective communications between agencies - federal, state, and local - in addressing security problems.

¶6. (SBU) Gasparian said state officials would like to develop a cooperative relationship with DHS. The Governor was not familiar with the agency, but after the Ambassador described its mission, history, and functions, agreed that he would greatly appreciate any help DHS could provide. CG suggested the Governor familiarize himself with the Container Security Initiative DHS has been operating in the Port of Santos for the past year and a half. Ambassador added that he expects DHS Secretary Chertoff to visit Brazil later this year, and that the Governor should meet with him.

¶7. (SBU) The Ambassador noted that when he met in August with then Governor Claudio Lembo (ref B), Lembo was extremely concerned about narcotics and drug trafficking. Serra concurred that drugs are the big problem and that trafficking in weapons is also a major concern,

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as is illegal trade (contraband and pirated and counterfeit merchandise). The Ambassador suggested that the U.S. and Brazil could cooperate more on combating money laundering.

SERRA HAS SHORT-TERM FIX FOR INVESTMENT ISSUE

¶8. (SBU) Turning to another subject, the Ambassador expressed concern about a tax credit problem that affects certain U.S. businesses operating in Brazil. A lawsuit between the states of Parana and Sao Paulo could result in the abolition of Sao Paulo's ICMS (equivalent of value added tax) credits to manufacturers of telecommunications technology. Post was approached recently by Motorola executives, who said an adverse ruling could cost them hundreds of millions of dollars and might force them to withdraw from Brazil. Deputy PO and Commercial Attache met with then Governor Lembo in December, and the Ambassador spoke to Lembo as well. The Sao Paulo state government succeeded in having the case continued until at least February, when the Supreme Court returns from leave. Serra was familiar with the problem and agreed it was in the state's interest, and Brazil's as well, to find a solution. There is an unfortunate history of "fiscal wars" between Brazil's states; Sao Paulo is usually the victim, he said, but has on occasion been the instigator, which complicates the issue. Serra plans to implement a short-term solution: to revoke the decree governing the ICMS credit system, essentially vacating the lawsuit, and then issue a new decree restoring ICMS credits. It may be a crude work-around, but it will solve the immediate problem. He suggested post and Motorola contact Lieutenant Governor (and Secretary of Development) Alberto Goldman to discuss possible

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longer-term solutions. (Note: CG has requested a meeting with Goldman to follow up. End Note.)

¶9. (U) In response to a question by Ambassador Sobel, Serra said he may travel to the U.S. in March. He visited Washington and New York in November and met with World Bank and IDB officials to discuss assistance in expanding the Sao Paulo subway system and completing the "beltway" around metropolitan Sao Paulo.

¶10. (U) In closing, Ambassador and CG expressed appreciation for Serra's assistance in combating IPR piracy when he was Mayor, and said we would continue to work closely with the state government on anti-piracy initiatives.

COMMENT

¶11. (SBU) Jose Serra (see refs C-D) ran for President in 2002 and lost to Lula in the second round. He had hoped to be the opposition Brazilian Party of Social Democracy's (PSDB) nominee again in 2006,

but was out-maneuvered by former Sao Paulo Governor Geraldo Alckmin and opted to run for Governor instead. He handily defeated Aloizio Mercadante of Lula's Workers' Party (PT), the government's leader in the Senate. Serra remains a figure of national stature; he and Aécio Neves, newly re-elected Governor of Minas Gerais, are already competing for the PSDB's 2010 presidential nomination. He clearly has his work cut out for him in Sao Paulo and needs to show results quickly if he hopes to run for president again.

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¶12. (SBU) This week's meeting among security officials of Brazil's four southeastern states - Rio de Janeiro, Espirito Santo, Minas Gerais, and Sao Paulo - to discuss cooperation and information-sharing in the battle against crime represents a new approach for Brazil that may offer opportunities for the United States. Mission Brazil believes that USG should seek ways to assist the state government in the area of transportation security as requested, and in other priority areas as they are identified. End Comment.

¶13. (U) This cable was coordinated with Embassy Brasilia and cleared by Ambassador Sobel.

MCMULLEN